



Director of  
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## National Intelligence Daily (Cable)

27 December 1982

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CPAS NIDC 82-300C

27 December 1982

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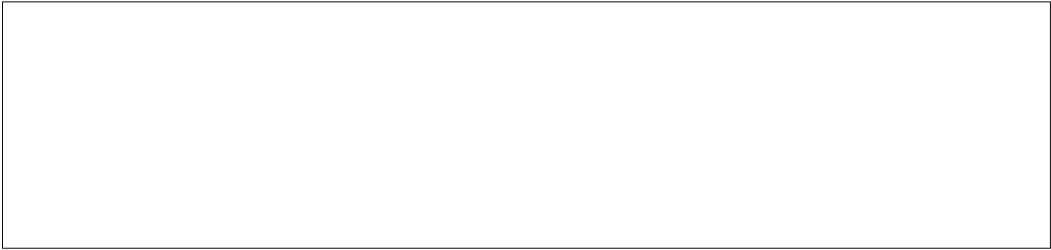


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MEXICO: Business Community's Concerns

*Influential business leaders are expressing concern that no segment of Mexican society is ready to accept its share of the austerity burden.* [ ]

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The businessmen, in discussions with US Embassy officials, are reacting to the public outcry following the doubling of gasoline prices early this month. Immediately after the announcement of price hikes, long lines of irate customers appeared and some temporary takeovers took place at gasoline stations. The businessmen see some potential for violent incidents when new austerity measures are introduced. [ ]

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The business leaders expect that the minimum wage adjustment on 1 January will be held to 25 to 30 percent and that there will be a sharp drop in real wages in 1983. They believe cutbacks in subsidies to public transportation will accelerate this loss of purchasing power. [ ]

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Comment: The businessmen represent organizations that support the austerity program and that are favorably impressed by President de la Madrid's early actions. Although they are skeptical about the program's feasibility, they probably will continue to back it. [ ]

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If the pinch provokes serious labor unrest and if protests against the austerity measures become widespread and intense, the new administration is likely to back away from some of its program. Such backsliding could cause gaps in foreign financing and make the economic situation even worse. [ ]

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IRAN: Internal Liberalization

*Iranian leaders are trying to create a more relaxed domestic climate to increase popular support and encourage skilled exiles to return home.* [ ]

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Ayatollah Khomeini has declared twice in the last two weeks that Iran is no longer in a revolutionary situation, stressing that the regime now has to focus on guaranteeing civil liberties. He has called for respect of property and personal rights and for relaxation of strict religious and revolutionary credentials for employment. Earlier, Tehran eased import and travel restrictions and ended gasoline rationing. [ ]

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Officials throughout Iran have moved quickly to publicize steps being taken to put Khomeini's guidelines into effect, including the establishment of offices to investigate charges of misconduct by revolutionary organizations, including the Revolutionary Guard and the Revolutionary Courts. According to Iranian officials abroad, Tehran also is considering new incentives for managers and technicians and may even broadcast more entertaining radio and television programs. Khomeini's remarks will be repeated to make everyone aware of his guidelines. [ ]

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Comment: The leadership is responding to the growing discontent among lower class Iranians about economic hardships and revolutionary excesses. The new policies are in line with suggestions made in September by former Prime Minister Bazargan that were criticized by leading clerics. There are no indications, however, that Bazargan or his followers will gain a more prominent role. [ ]

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Revolutionary organizations, which have been virtually autonomous for four years, will resist increased controls on their activities. As long as the clerics continue to insist that "counterrevolutionaries" will be pursued aggressively, exiles--including technocrats needed to make economic and social programs work--will remain skeptical about the regime's promises to protect them. [ ]

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PORTUGAL: Political Pressures Increase

*//Following former Prime Minister Mota Pinto's refusal to return to office, the governing Democratic Alliance is coming under increasing pressure to find a successor to Prime Minister Balsemao.//*

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*//Balsemao's resignation has brought government activity to a halt, resulting in the automatic withdrawal from the parliament of his austerity budget and leaving undecided the status of senior military commanders. Bilateral negotiations with the US have also been indefinitely postponed, and high-level negotiations on EC entry are being delayed.//*

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*//The Socialist Party--the principal opposition--has called for early elections. Militant Communist trade unions are supporting this demand with nationwide demonstrations.//*

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*Comment: //President Eanes has grown increasingly dissatisfied with the Democratic Alliance over the past two years, and mounting public concern over the government's standstill will reinforce his inclination to dissolve the parliament. He wants to show that he can still act decisively, despite the enactment last fall of constitutional revisions trimming his powers.//*

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*//Eanes nonetheless will probably delay acting until early January. Among other things, he knows early elections could undermine any lingering hope he has of forming his own political party.//*

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*//The two main parties in the Democratic Alliance, Balsemao's centrist Social Democratic Party and the conservative Social Democratic Center Party, are divided over economic policy and the allocation of power in the Alliance. Even so, they are united in the hope of avoiding national elections so soon after the setback suffered by the coalition in local elections earlier this month. The odds are better than even that they will work out a compromise before Eanes is driven to act.//*

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FRANCE-USSR: Attacks on French Media

//The French Communist Party and the Soviet Embassy in Paris have accused the French media of conducting an anti-Communist campaign. The party has charged that the state-supervised television and radio networks are publicizing "false reports" about the use of forced labor on the Soviet gas pipeline to Western Europe and about Bulgaria's involvement in the assassination attempt against the Pope. The Soviet Embassy, in a letter to prominent editors, has denounced the media for "impudent libel" against the USSR.//

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Comment: //French Communist leaders have grown increasingly angry about what they view as the government's tolerance of anti-Communist reporting on television and radio. Their willingness to side openly with the Soviets will aggravate already strained relations with Socialist coalition partners and could alienate those Communist voters who oppose close identification with Moscow. The Soviets have begun responding more actively to Western charges of Bulgarian and Soviet complicity in the attack on the Pope.//

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JAMAICA: Opposition Leader To Resign

The leading radical in former Prime Minister Manley's entourage, D. K. Duncan, reportedly has offered to resign as party general secretary. Duncan, a Marxist closely linked to the Cubans and Soviets, is widely suspected of involvement with political violence in past elections.

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Comment: Manley probably is willing to let Duncan step aside as a gesture to party moderates. The former Prime Minister's interest in attracting middle class support for his financially strapped party is part of a campaign to improve its image. A recent opinion poll showed him overtaking Prime Minister Seaga in popularity. Duncan is likely to stay active in leftwing circles until he can obtain another top party post.

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